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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 19 July 1978

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National Intelligence Daily Cable for Wednesday, 19 July 1978

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The NID Cable is for the purpose of informing senior US officials.

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RHODESIA: Smith on Internal Settlement

*In a major press conference yesterday, Rhodesian Prime Minister Smith for the first time openly criticized the three black nationalist leaders in the interim government and hinted that the internal settlement might be in jeopardy. His move may be a calculated risk designed to bring Joshua Nkomo into the settlement.*

Smith acknowledged that the government's cease-fire program is not working as well as he had expected, and he placed the responsibility for that on the black nationalists. He also noted that the internal settlement could not succeed without a cease-fire because without a cease-fire he could not ask the white electorate to endorse the settlement.

Smith has counted heavily on the nationalists in the interim government to arrange a cease-fire, and he is obviously agitated over their failure to do so. His comment that the cease-fire--and by inference the settlement itself--may be in jeopardy will not sit well with Rhodesia's whites, nor with the nationalist leaders themselves.

Smith's remarks may well have been a trial balloon designed to set the stage for the return to Rhodesia of Joshua Nkomo, leader of the Zimbabwe African People's Union, and to justify reshaping the internal settlement if Nkomo accepts.

Smith long has regarded Nkomo's participation as crucial to the success of a settlement. On 13 July, he gave a private talk to an interracial private businessman's club in Salisbury, knowing that his remarks would eventually get back to Nkomo. At that talk he made the same points as in his press conference, in addition to stating that he would welcome Nkomo back and that Robert Mugabe, Nkomo's partner in the Patriotic Front, could return with him.

ARGENTINA: Foreign Policy

*The Argentine Government, increasingly irritated by US criticism of its human rights practices and US advice on how to develop its nuclear program, is moving to forge new or closer ties--primarily economic--with France and several Communist and Arab countries.*

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[REDACTED] //The Argentine Foreign Ministry has produced a major policy review that aims at setting new and more pragmatic goals. Believing it can no longer do business with the US, the government has begun to turn elsewhere in order to reduce US leverage and to break out of its isolation in international affairs.//

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[REDACTED] Argentina has purchased 170 jet engines from the French, who--despite domestic protests over Argentina's human rights situation--are apparently willing to sell arms and perhaps to provide military training previously provided by the US. France is also encouraging Argentina to become more active on Third World issues. This coincides with Argentine Foreign Minister Montes' expressed intent to take an active role at the nonaligned foreign ministers' conference in Belgrade later this month.

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[REDACTED]

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[REDACTED]

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[REDACTED] The USSR, a relatively minor trading partner for Argentina, imports far more from Argentina than it exports and would welcome an opportunity to correct this imbalance. Moscow has already expressed strong interest in providing turbines for Argentina's massive Yacyreta hydroelectric project, for which the US Export-Import Bank turned down concessionary financing on human rights grounds.

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[REDACTED] Despite these developments, the Argentines are obviously posturing to some extent. Their highly conservative political bias and their fears of subversion will preclude close diplomatic alignments with Communist states or the purchase of

Soviet arms. Nevertheless, Argentine leaders have been deeply offended by several recent US actions, and their willingness to justify turning to the Communists on economic grounds will increase if the US Congress denies supplier credits through the Export-Import Bank of \$800 million for US exports to Argentina.

TAIWAN: Relationship with US

*The Nationalist Chinese seem to expect the establishment of full diplomatic relations between Peking and Washington fairly soon, and are now focusing on ensuring the closest possible relationship with the US after that has taken place.*

officials in Taipei seem resigned to the move, but some have expressed bitterness that Washington would "abandon" their government.//

These sentiments appear to have refueled debate on whether Taipei should proceed with efforts to develop a nuclear weapons capability. While President Chiang Ching-kuo will surely keep that option open, he has not approved resumption of the weapons-related projects that were halted last year after the US objected.

The government's expeditious release earlier this month of an opposition politician arrested for possession of antigovernment literature appears to reflect Taipei's acute

sensitivity to its human rights image in the US at a time when it thinks Washington is deliberating about its future ties with Taipei after normalization of relations with Peking.

25X1 [ ] Similarly, Taipei has reacted in a low-key manner to the recent US announcement that it will not stand in the way of Israeli sales of Kfir fighters to the Nationalists. Taipei was probably caught off guard by the announcement, having made a decision earlier this year to turn down the Kfir in favor of politically and militarily more attractive US aircraft. The revival of the Kfir issue may cause Taipei some embarrassment in its dealings with Saudi Arabia, Taipei's most important foreign connection after the US and Japan. [ ]

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#### WEST GERMANY: Carter's Visit

25X1 [ ] //Ambassador Stoessel reports a strongly positive reaction in West Germany to President Carter's visit. He notes a major shift in the tone of the media toward more favorable treatment of the US and enthusiasm among Bonn's leaders for the President's contribution to bilateral relations. Chancellor Schmidt's position has been strengthened by the visit.//

25X1 [ ] //In part, the current mood in West Germany is a spontaneous reaction of the media and of a public conditioned in the past year by much critical comment on German-American relations. This tone is conspicuously absent now. The Ambassador thinks the media as well as West German public figures will be careful to avoid returning to the gibes and cynicism of the recent past because of the general feeling now of close partnership with the US.//

25X1 [ ] //The idea that Chancellor Schmidt cannot get along well with President Carter has been eclipsed. The Chancellor is somewhat less vulnerable now than he was because of his evident good relations with the President and because of his achievements as summit host. It will be in Schmidt's interest to keep the atmosphere of relations positive; for the moment at least, cynicism about the US is simply unfashionable. The Ambassador views this as a major achievement. [ ]

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USSR-NAMIBIA: Nujoma in Moscow

25X1 [ ] *The leader of the South-West Africa People's Organization, Sam Nujoma, is in Moscow to discuss SWAPO's reluctant acceptance of the Western proposals for the settlement of the Namibia issue.*

25X1 [ ] Nujoma, who arrived in Moscow on Monday, will meet with Politburo candidate member Boris Ponomarev and other members of the Central Committee's International Department. The Soviets will support the settlement so long as they believe it will enhance SWAPO's chances of taking power in Namibia. Moscow believes a SWAPO government would decrease the opportunities for South Africa, or others, to provide aid--via Namibia--to opposition groups in Angola.

25X1 [ ] The Soviets are also concerned, however, that acceptance of the Western plan will enhance the image of the US among the frontline states, and they will presumably press Nujoma to insist on a Soviet role in future negotiations.

25X1 [ ] Nujoma doubtless will be seeking Moscow's support for his position--particularly on Walvis Bay--in forthcoming sessions of the UN Security Council. [ ]

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